
Board Action Bulletin



Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR MARCH 17, 2005

CUSO audit proposal issued

To reduce regulatory burden, the NCUA Board issued a proposed change to credit union service organization (CUSO) rule Part 712 that would permit wholly-owned CUSOs to forego obtaining a separate financial statement audit from a certified public accountant if the CUSO is included in an annual consolidated audit obtained by the parent federal credit union (FCU).

Issued with a 60-day comment period, the proposal, which is consistent with generally accepted accounting principles, would also enable the regulation to conform to agency practice. Since 1997, NCUA has viewed credit unions with wholly-owned CUSOs to be in compliance with the rule if the parent FCU obtains a consolidated annual financial statement audit that includes the CUSO.

While NCUA does not directly regulate CUSOs, Part 712 specifies that an FCU may only become involved, as an investor or a creditor, with CUSOs that have agreed to conduct their affairs in accordance with specific standards, including conforming financial affairs to generally accepted accounting principles. CUSO's must also agree to provide NCUA access to their books and records.

The proposed amendment is limited to cases that involve 100 percent ownership of CUSOs to ensure FCUs intending to make a minority investment in a CUSO can obtain accurate financial information about its operations and financial condition.

Closed Board meeting action --

Member business loan pilot program approved

In closed session, the NCUA Board voted to approve, under Part 703 of *NCUA's Rules and Regulations*, CUNA Mutual Group's member business loan investment company pilot program.

The approved pilot program developed by CUNA Mutual Group's CU System Funds, a private investment fund, will purchase loans from credit unions and sell shares in the fund as investments to interested credit unions. The approval will permit credit unions to purchase shares in CUNA Mutual Group's member business loan funds.

Board votes are unanimous unless indicated.

